

PUBLIC DISCLOSURE

November 30, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WebBank
Certificate Number: 34404

215 South State Street, Suite 1000
Salt Lake City, Utah 84111

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Outstanding**.

An institution in this groups has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

WebBank (WB) operated under two FDIC-approved Community Reinvestment Act (CRA) Strategic Plans (Plans) during the evaluation period. WB’s outstanding performance from July 1, 2017 to June 30, 2018 (Plan One), and from July 1, 2018 to June 30, 2020 (Plan Two), support this rating. WB has not received any complaints related to its CRA performance. The bank substantially met the outstanding threshold for all but one of the goals established in the approved Plans.

PLAN ONE PERFORMANCE

The following summarize WB’s performance under Plan One.

- Community development (CD) new loans and investments exceeded the outstanding goal in 2018.
- CD new loans and investments plus prior period qualified investments exceeded the satisfactory goal in 2018.
- CD grants and donations exceeded the outstanding goal in 2018.
- CD service hours exceeded the outstanding goal in 2018.

PLAN TWO PERFORMANCE

The following summarizes WB’s performance under Plan Two.

- CD new loans and investments exceeded the outstanding goal in 2019 and 2020.
- CD new loans and investments plus prior period qualified investments exceeded the outstanding goal in 2019 and 2020.
- CD grants and donations exceeded the outstanding goal in 2019 and 2020.
- CD service hours exceeded the outstanding goal in 2019 and 2020.

DESCRIPTION OF INSTITUTION

WB is an industrial bank operating from a single office in Salt Lake City, Utah. The bank is a wholly-owned subsidiary of WebBank Holding Corporation, which is ultimately owned by Steel Partners Holding L.P. WB received an “Outstanding” CRA Rating based on the Interagency Strategic Plan Examination Procedures at the previous FDIC CRA Performance Evaluation dated November 13, 2017.

WB has two primary business lines, the Strategic Partner (SP) Program and commercial lending through Senior Secured Loan Participations (SSLP). WB has 17 active SP third-party relationships to include nonbank finance companies, financial technology companies, and retailers to offer consumer and small business loans nationwide. These loans are primarily marketed through online and point of sale channels. WB originates and funds the loans and then sells the loans or receivables to the SP after a short holding period. The bank does not offer any traditional loan products other than the commercial loan participations and SP loans.

WB offers brokered certificate of deposits (CDs) and brokered money market demand accounts (MMDA). Additionally, the bank developed an online retail deposit program that offers savings and CD products to consumers. WB does not operate any traditional branch locations and does not have deposit-taking abilities through bank tellers. The bank did not open or close any branch offices during the review period.

As of the September 30, 2020 Consolidated Reports of Condition and Income (Call Report), assets totaled \$2.8 billion, deposits totaled \$389.0 million, and loans and leases totaled \$2.6 billion. In May 2020, WB began originating loans as part of the Small Business Association's (SBA) Paycheck Protection Program (PPP) to help provide economic relief to small businesses that had been adversely impacted by the COVID-19 pandemic. From March 31, 2020 to September 30, 2020, the bank reported an increase in total loans from \$622.2 million to \$2.6 billion. Over the same period, total assets increased from \$874.2 million to \$2.8 billion. WB coordinated with its SP PayPal, to receive and process the SBA's PPP applications. The efforts of WB and PayPal resulted in approximately 75,000 loans totaling \$2.1 billion nationwide, with over 300,000 jobs retained. In addition, WB originated another 258 in PPP loans totaling \$33.1 million nationwide. The following table summarizes the bank's loan portfolio distribution.

| Loan Portfolio Distribution as of 9/30/2020 | | |
|---|-----------|-------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 0 | 0.0 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 0 | 0.0 |
| Secured by Multifamily (5 or more) Residential Properties | 0 | 0.0 |
| Secured by Nonfarm Nonresidential Properties | 645 | 0.0 |
| Total Real Estate Loans | 0 | 0.0 |
| Commercial and Industrial Loans | 2,376,881 | 90.3 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 254,880 | 9.7 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 0 | 0.0 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 2,632,406 | 100.0 |
| <i>Source: Call Reports. Due to rounding, totals may not equal 100.0 percent.</i> | | |

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the AA's credit and CD needs.

DESCRIPTION OF ASSESSMENT AREA

WB has defined its AA as the entirety of Salt Lake County, which is part of the Salt Lake City Metropolitan Statistical Area (MSA) #41620. The AA remains unchanged since the previous evaluation. The bank's AA meets the technical requirements of the CRA regulation and does not reflect any illegal discrimination or arbitrary exclusion of LMI areas.

To establish the bank's performance context, examiners relied on the bank's records, financial information, demographic data from the 2015 American Community Survey (ACS), D&B data, and other public sources, as well as information obtained from a community contact.

Economic and Demographic Data

The AA consists of 212 census tracts: 7 low-, 51 moderate-, 86 middle-, 65 upper-income, and 3 census tracts where income information was not available. There were no distressed or underserved non-metropolitan middle-income census tracts within the AA. The following table shows select demographic, housing, and business information of the AA.

| Demographic Information of the Assessment Area | | | | | | |
|---|-----------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 212 | 3.3 | 24.1 | 40.6 | 30.7 | 1.3 |
| Population by Geography | 1,078,958 | 3.2 | 22.8 | 43.1 | 30.0 | 0.9 |
| Housing Units by Geography | 372,990 | 3.1 | 24.3 | 42.6 | 29.2 | 0.7 |
| Owner-Occupied Units by Geography | 233,092 | 1.5 | 17.5 | 44.9 | 35.6 | 0.5 |
| Occupied Rental Units by Geography | 118,800 | 6.4 | 36.9 | 39.4 | 16.1 | 1.2 |
| Vacant Units by Geography | 21,098 | 2.3 | 28.9 | 35.3 | 33.3 | 0.2 |
| Businesses by Geography | 109,968 | 2.9 | 21.2 | 39.3 | 35.8 | 0.9 |
| Farms by Geography | 1,703 | 2.2 | 19.8 | 40.2 | 37.3 | 0.4 |
| Family Distribution by Income Level | 247,693 | 19.9 | 17.6 | 22.0 | 40.5 | 0.0 |
| Household Distribution by Income Level | 351,892 | 22.3 | 16.6 | 20.4 | 40.6 | 0.0 |
| Median Family Income MSA - #41620 Salt Lake City, Utah MSA | | \$71,849 | Median Housing Value | | | \$247,942 |
| | | | Median Gross Rent | | | \$966 |
| | | | Families Below Poverty Level | | | 9.2% |
| Source: 2015 ACS and 2019 D&B Data. Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification. | | | | | | |

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. As shown in the table, the unemployment rates has risen during 2020 as a result of the global pandemic, referred to as COVID-19. Salt Lake County has seen a significant increase in unemployment due to COVID-19, but at a lesser rate in comparison to the national level.

| Unemployment Rates | | | | |
|---|---------------------|---------------------|---------------------|-----------------------|
| Area | January 2018 | January 2019 | January 2020 | September 2020 |
| | % | % | % | % |
| Salt Lake County | 3.1 | 2.8 | 2.6 | 5.2 |
| State of Utah | 3.3 | 3.1 | 2.8 | 5.0 |
| National Average | 4.5 | 4.4 | 4.0 | 7.9 |
| <i>Source: Bureau of Labor Statistics</i> | | | | |

According to the July 2020 Moody's Analytics, the Salt Lake City MSA had a strong economy, robust job growth and low unemployment during a majority of the evaluation period. However, Salt Lake County was significantly impacted by COVID-19 and is exposed to a sudden drop in economic activity. Retail, leisure, and hospitality jobs are expected to be impacted the most in the bank's AA. The AA is experiencing an appreciation of residential real estate values, the technology industry is expanding in Salt Lake County, and the AA has below-average business costs in

comparison to national levels. Major employers include the University of Utah, Intermountain Health Care Inc., Walmart, and Delta Airlines.

Competition

Competition within the bank's AA is very strong for banking services and lending. According to the June 30, 2020 FDIC Deposit Market Share Report, 41 financial institutions operate 209 offices and share \$684.6 billion in deposits. A number of large industrial and commercial banks operate in the AA, with five financial institutions accounting for approximately 73.1 percent of the AA's deposit market share. WB operates one office and ranks 25th with a deposit share of 0.1 percent.

Community Contact(s)

As part of the evaluation process, examiners reviewed a recent community contact with an organization serving Salt Lake County that provides entrepreneurial development counseling, training, and financing to small businesses. This contact noted that financial institutions have been active in participating in the SBA's PPP; however, there continues to be more opportunities for local financial institutions to provide further assistance to businesses affected by the economic impact of COVID-19. The contact also noted there is a proposed second round of PPP loans to provide continued assistance and support for small business, as well as the SBA's Economic Injury Disaster Loan Program (EIDL). The EIDL is designed to provide economic relief to businesses that are experiencing temporary loss of revenue.

Credit and Community Development Needs and Opportunities

WB's management conducted a needs assessment survey of several key community service providers to identify the needs and opportunities that can be met through the bank's resources and expertise. The Strategic Plans identified challenges facing LMI populations within the bank's AA such as community services, affordable housing, economic development, financial education, and job creation. The bank's business strategy was modified in May 2020, to participate in the SBA's PPP due to the COVID-19 pandemic both locally and nationwide. WB utilized its expertise and small business lending partner PayPal to provide PPP loans to small- and medium-sized businesses, which is centered on economic development, financial education, and job retention and creation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 13, 2017, to the current evaluation dated November 30, 2020. Examiners used the Interagency Strategic Plan Examination Procedures to evaluate WB's CRA performance.

WB operated under two FDIC approved Strategic Plans during the evaluation period. Plan One was effective from the previous evaluation through June 30, 2018. The goals for plan year 2018 were evaluated on an annual basis beginning July 1, 2017 to June 30, 2018.

Plan Two is effective July 1, 2018 to June 30, 2022. However, examiners evaluated the first two years of the current strategic plan. The goals for each year are evaluated on an annual basis beginning July 1st and ending June 30th. Plan year 2019 covers activities conducted from July 1, 2018 to June 30, 2019. Plan year 2020 covers activities conducted from July 1, 2019 to June 30, 2020.

Activities Reviewed

The evaluation reflects WB's CRA performance from July 1, 2017 through June 30, 2020. The following bank activities were reviewed under the three Plan years:

- New CD loans and investments in the AA;
- New CD loans and investments plus total prior period CD investments in the AA;
- Grants and donations; and
- CD services.

This evaluation was performed remotely due to the implications of the COVID-19 pandemic. Examiners relied upon records provided by WB. Examiners evaluated WB's CRA performance with the consideration of the following factors:

- Current economic environment;
- Demographic characteristics of the bank's AA;
- CD needs and opportunities for lending, investments, and services;
- WB's products, services, markets and business strategies; and
- WB's financial resources and constraints.

For purposes of evaluating the Plan's measurable goals, management provided data on CD loans, qualified investments, grants and donations, and CD services during the evaluation period from July 1, 2017 through June 30, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

STRATEGIC PLAN ONE

WB's CRA performance under Plan One reflects outstanding performance in helping to meet the credit needs in its AA in a manner consistent with the established goals in the plan. The bank substantially met the outstanding threshold for all but one of the goals established in Plan One. The following information summarizes the goals delineated in Plan One compared to the bank's actual performance from July 1, 2017 to June 30, 2018.

Community Development Loans and Investments

The bank established two measureable goals for CD loans and qualified investments. The first measureable goal is for new CD loans and investments divided by the average assets for the four quarters within the current plan year. The bank's average assets is calculated by using line 9 of Schedule RC-K (Quarterly Averages) for the bank's four quarters in that plan year. The following tables shows WB's actual performance compared to each measurable goal in Plan One.

| New CD Loans and Investments | | | | | |
|---|-------------------------------|--------------------|---------------------------------|-------------------------------|---------------------------|
| Plan One Year | Bank Established Goals | | Bank Performance | | |
| | <i>Satisfactory</i> | <i>Outstanding</i> | Investments Total (000s) | *Average Assets (000s) | Actual Performance |
| 2018 | 0.30% | 0.40% | \$2,750 | \$571,917 | 0.48% |
| <i>Source: WB Records, WB's Strategic Plan One, and Call Reports.</i> | | | | | |
| <i>*Quarterly Average Assets RC-K for the current Plan year.</i> | | | | | |

WB exceeded its outstanding goal in 2018. WB made two new affordable housing investments totaling \$1.5 million, the purchase of a Utah Housing bond of \$500,000 and renewal of a \$1.0 million commitment to the Rocky Mountain Community Reinvestment Corporation (RMCRC). The RMCRC facilitates the development and preservation of affordable housing and communities that serve LMI individuals and families.

The second measurable goal is the total of all new loans and investments plus any prior period CD investments that are still outstanding at year-end for the plan year. The following table shows WB's performance compared to each measurable goal.

| New CD Loans and Investments plus prior period CD Investments | | | | | |
|---|-------------------------------|--------------------|---------------------------------|-------------------------------|---------------------------|
| Plan One Year | Bank Established Goals | | Bank Performance | | |
| | <i>Satisfactory</i> | <i>Outstanding</i> | Investments Total (000s) | *Average Assets (000s) | Actual Performance |
| 2018 | 1.00% | 1.15% | \$5,879 | \$571,917 | 1.03% |
| <i>Source: WB Records, WB's Strategic Plan One, and Call Reports.</i> | | | | | |
| <i>*Quarterly Average Assets RC-K for current year; **Includes prior period investments outstanding at year-end</i> | | | | | |

WB exceeds its satisfactory goal in 2018. Prior period investments include Utah Housing bonds totaling \$1.1 million, minority owned depository institution CDs totaling \$1.2 million, and \$875,000 in a CRA qualified investment fund.

Community Development Grants and Donations

WB established measurable goals for qualified grants and donations for satisfactory and outstanding ratings. The following table shows WB's actual performance compared to the goals in Plan One.

| CD Grants and Donations | | | |
|-------------------------|------------------------|--------------------|---|
| Plan One Year | Bank Established Goals | | Bank Performance: Total Grants and Donations |
| | <i>Satisfactory</i> | <i>Outstanding</i> | |
| 2018 | \$29,300 | \$32,230 | \$32,500 |

Source: WB Records and WB's Strategic Plan One.

WB exceeded its outstanding goal for CD grants and donations in 2018. WB donated \$12,000 to a university scholarship program. The scholarship program is designed to assist LMI students seeking a degree in finance or accounting. In addition, WB donated \$5,000 to an organization that helps revitalize LMI neighborhoods and build affordable housing for LMI families throughout Salt Lake County.

Community Development Services

WB established a goal of 238 service hours for satisfactory and 275 hours for outstanding performance. The following table shows WB's actual performance compared to the goals in Plan One.

| CD Service Hours | | | |
|------------------|------------------------|--------------------|--|
| Plan One Year | Bank Established Goals | | Bank Performance: Qualified Service Hours |
| | <i>Satisfactory</i> | <i>Outstanding</i> | |
| 2018 | 238 | 275 | 327 |

Source: WB Records and WB's Strategic Plan One.

WB exceeded its outstanding goal for CD service hour goals in 2018. During the evaluation period, bank staff spent 279 hours teaching financial education to LMI students in schools where the majority of students are eligible for free or reduced-priced lunch. Specifically, bank employees taught students about earning, spending, and saving money, as well as how banks operate. In addition, one employee spent nine hours as a Board member for a non-profit organization fighting poverty and homelessness in Salt Lake County.

STRATEGIC PLAN TWO

WB's CRA performance under Plan Two reflects outstanding performance in helping to meet the credit needs in its AA in a manner consistent with the established goals in the plan. Examiners also included additional performance context considerations in evaluating the bank's performance due to the economic impact of the COVID-19 pandemic that began in the first quarter of 2020.

The bank met the outstanding thresholds for all of the goals established in Plan Two. The following information summarizes the goals delineated in Plan Two compared to the bank's actual performance in 2019 and 2020. Each plan year cycle starts on July 1st and ends on June 30th.

Community Development Loans and Investments

The bank established two measureable goals for CD loans and qualified investments. The first

measurable goal is for new CD loans and investments divided by the average assets for the four quarters within the current Plan year. The bank's average assets is calculated by using line 9 of Schedule RC-K (Quarterly Averages) for the bank's four quarters in the preceding plan year. The average asset calculation differs from Plan One. The following table shows WB's actual performance compared to goals in Plan Two.

| New CD Loans and Investments | | | | | |
|---|------------------------|--------------------|--------------------------|------------------------|--------------------|
| Plan One Year | Bank Established Goals | | Bank Performance | | |
| | <i>Satisfactory</i> | <i>Outstanding</i> | Investments Total (000s) | *Average Assets (000s) | Actual Performance |
| 2019 | 0.40% | 0.60% | \$57,000 | \$571,917 | 9.97% |
| 2020 | 0.40% | 0.60% | \$22,855 | \$816,470 | 2.80% |
| Source: WB Records, WB's Strategic Plan Two, and Call Reports. *Quarterly Average Assets RC-K for preceding calendar year. | | | | | |

WB exceeded its outstanding goals for new CD loans and investments in 2019 and 2020. WB invested \$54.5 million in 2019 and \$12.0 million in 2020 to a CD financial institution (CDFI) that provides small affordable loans to LMI individuals. WB also invested \$1.0 million in 2019 and \$1.5 million in 2020 to RMCRC. The RMCRC facilitates the development and preservation of affordable housing and communities that serve LMI individuals and families. WB participated in SBA's PPP lending program in response to the COVID-19 pandemic. WB and PayPal originated 338 PPP loans totaling \$8.9 million that qualify as CD loans in 2020 to businesses in LMI geographies in the bank's AA or throughout the State of Utah. These PPP loans helped retain many LMI jobs in the local community.

The second measurable goal is the total of all new CD loans and investments plus any prior period qualified investments that are still outstanding at year-end for the Plan year. The following table shows WB's performance compared to its approved measurable goals.

| New CD Loans and Investments plus prior period CD Investments | | | | | |
|--|------------------------|--------------------|--------------------------|------------------------|--------------------|
| Plan One Year | Bank Established Goals | | Bank Performance | | |
| | <i>Satisfactory</i> | <i>Outstanding</i> | Investments Total (000s) | *Average Assets (000s) | Actual Performance |
| 2019 | 1.15% | 1.50% | \$40,818 | \$571,917 | 7.14% |
| 2020 | 1.15% | 1.50% | \$19,063 | \$816,470 | 2.33% |
| Source: WB Records, WB's Strategic Plan Two and Call Reports. *Quarterly Average Assets RC-K for preceding year. **Includes prior period investments outstanding at year-end. | | | | | |

WB exceeded its outstanding goals for new loan and investments plus prior period CD investments in 2019 and 2020. These investments include investments with RMCRC, CDFIs, Utah Housing Bonds, and PPP loans that qualify as CD loans as explained above.

Community Development Grants and Donations

WB established measurable goals for qualified grants and donations. The following table shows WB's actual performance compared to Plan Two goals for 2019 and 2020.

| CD Grants and Donations | | | |
|--|------------------------|--------------------|---|
| Plan One Year | Bank Established Goals | | Bank Performance: Total Grants and Donations |
| | <i>Satisfactory</i> | <i>Outstanding</i> | |
| 2019 | \$35,160 | \$38,675 | \$39,000 |
| 2020 | \$42,190 | \$46,410 | \$46,500 |
| <i>Source: WB Records and WB's Strategic Plan Two.</i> | | | |

WB exceeded its outstanding goals for CD grants and donations in 2019 and 2020. In 2019 and 2020, WB donated \$10,000 each year to a nonprofit organization for the continued funding of their financial education to LMI students. In 2019 and 2020, WB also donated \$16,000 each year to a local university opportunity scholarship fund targeted to LMI students majoring in finance and accounting. In 2020, WB provided a \$10,000 donation to a nonprofit organization in Salt Lake that develops and preserves affordable housing within the bank's AA.

Community Development Services

WB set measurable goals for service hours based on number of full-time equivalent (FTE) employees in Salt Lake City, as of July 1st of the plan year multiplied by 4 hours for satisfactory and 5 hours for an outstanding rating. The following table shows WB's actual performance compared to Plan Two goals for 2019 and 2020.

| Community Development Service Hours | | | |
|---|------------------------|--------------------|--|
| Plan One Year | Bank Established Goals | | Bank Performance: Qualified Service Hours |
| | <i>Satisfactory</i> | <i>Outstanding</i> | |
| 2019 | 300 | 375 | 413 |
| 2020 | 380 | 475 | 529 |
| <i>Source: WB Records and WB's Strategic Plan Two. FTE 75 for 2019 and 95 for 2020.</i> | | | |

WB exceeded its outstanding goals for CD service hours in 2019 and 2020. Bank staff spent 171 hours in 2019 teaching financial education to LMI students in schools where the majority of students are eligible for free or reduced-priced lunch. In 2020, three employees provided 66 hours of mentoring and financial education to a local community service entity that provides job training, interview skills, employment strategies, and creation and maintenance of financial budgets to LMI individuals. In 2020, 20 employees provided 200 hours in developing and implementing communications intended to educate small business owners on SBA's PPP loans. Additionally, employees responded to questions from small business owners via phone and email in response to the COVID-19 pandemic to help to stabilize communities affected by the pandemic.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping community credit needs was identified.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.